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SUBJECT: CHEMICAL WEAPONS CONVENTION (CWC): WRAP-UP FOR 12
MAY - 6 JUNE.

This is CWC-60-03.

Summary

Topics:
-- 2003 Cash Flow Problem
-- 2004 Budget Consultations - First Round
-- Timetable for Article VII
-- Khartoum Regional Seminar
-- "On Call" Inspectors
-- Newport Step III Combined Plan
-- VIR Consultations
-- Article IV/V Consultations
-- 15th Data Validation
-- Ambassador Javits Upcoming Travel

¶11. Details about the 2003 cash flow difficulties emerged during the first round of 2004 budget consultations and the OPCW informed member states that they will have to begin cutting program delivery.

¶12. Two rounds of 2004 budget consultations were held in June with senior OPCW management introducing each section of the budget.

¶13. Inquiries have been made on two separate occasions by the Canadian delegation on U.S. plans for follow-up to our call to set a timetable for compliance with Article VII.

¶14. The Technical Secretariat has granted a request from the ICRC to attend the OPCW Regional Seminar in Khartoum. The ICRC has assured the TS that they are not going to talk about RCA's and related issues.

¶15. The Director-General held a meeting with TS staff and possessor states to discuss the idea of employing "on call" inspectors as a way to reduce cost.

¶16. The TS has distributed the Newport Step III Combined Plan.

¶17. VIR consultations were held on 28 May and U.S. written comments were circulated by the TS.

¶18. The German delegation raised the idea of establishing a contingency fund in the Article IV/V consultations.

¶19. The 15th OPCW Validation Group met 20-21 May and approved 246 mass spectra and 306 retention indices.

¶10. Ambassador Javits will travel to Mexico to attend the OPCW Regional Seminar and preliminary planning has begun for site visits in July at Tooele, Utah and Pine Bluff, Arkansas.
End Summary.

2003 CASH FLOW PROBLEM

¶11. Details about the continuing severe cash flow difficulties that the OPCW is experiencing have emerged during the first round of 2004 budget consultations 3-5 June.

¶12. On 2 June the bank balance was down to 8 million euros -- the lowest level ever for the OPCW. The next day Japan informed the Technical Secretariat that it had just made its payment. Germany also normally pays in June. This short term relief, however, is not enough to prevent management from having to take unspecified actions to cut program delivery, which they have already begun doing.

¶13. The reason for the cuts in program delivery is the same as in past years: too much reimbursement income from CW possessors was assumed in the budget (3.9 million euros). As of now, only one million euros has been invoiced to CW possessors for verification activities under Articles IV and

IV. Even though the assumed income total was discounted 40 percent from what the CW possessors told the organization would be carried out, the amount assumed remains unrealistically high.

14. Although the audited surplus for 2001 is 3.4 million euros, this money is not available to assure program delivery now because of USG insistence that any decision about possibly authorizing use of the surplus be deferred until the annual Conference in October.

15. COMMENT: Del urges that Washington consider how to urgently address this seemingly perennial problem.

2004 BUDGET CONSULTATIONS -- FIRST ROUND

16. The budget facilitator (Peter Beerwerth, Germany) held the first two rounds of consultations on the 2004 budget 3-5 June. Senior management is introducing each section of the budget.

17. A number of delegations raised questions about the proposal to recruit and train new inspectors to compensate for attrition. Acting Director of the Inspectorate Renato Carvalho presented the case for hiring "Inspector Group C" of 25-30 individuals to compensate for attrition and the 16 inspectors they plan to let go in 2003 in implementation of the tenure decision. All would be hired at the P-3 level. Director of Verification Reeps envisions eventually 50 inspectors "on call", or contract inspectors. This year he hopes to start with 10 at the P-3 level (no taxes reimbursed, no insurance when not on the job, no retirement). Five will come from inspectors separated, and five from a vacancy announcement.

18. Russia spoke to lay down a marker that no decision has been taken to allow contract inspectors. (NOTE: Inspectorate sources say that Russia opposes this move because it will decrease hiring of new inspectors and they have many candidates lined up to pack the inspector corps.) India challenged the need for any new inspectors, especially if the contractor concept is introduced. Germany also seems inclined to find budget savings by not hiring new inspectors.

19. Pakistan and the UK challenged the concept of 6 weeks of inspector training at 3/4 salary plus DSA, arguing that the new inspectors should be hired and then undergo training. South Africa was inclined to support.

20. Iran, Italy, the UK, Japan India and Canada questioned the new line items for consultants that the Director General has mandated in the budget. Director of Administration Schulz wants consultant money to design a new rating system (because he cannot do that in house) and to continue to evaluate candidates for jobs through external experts. He cannot speak to other needs. Director of Verification Reeps says his consultant is "doing very useful work" but he cannot speak to other requests. Asghar says the DG is prepared to justify all the requests.

21. Reeps proposes through efficiency savings to increase the number of Article VI inspections to 150 next year. In the first 4 months of this year he saved 85-90,000 euros. He would distribute additional inspections "in a balanced manner" across all Article VI regimes (percent figures represent intensity):

2003					
2004	Inspectable	Percent	Percent	No.	
Percent					
Schedule 1	27	59	16	59	
Schedule 2	148	26	42		
28					
Schedule 3	404	4.5	22	5.4	
OCPF	3993	1.5	70		
1.75					

"The Technical Secretariat has some concerns with such a low frequency of inspection in the OCPF category," Reeps said. (NOTE: Carvalho added he expects to get 9 percent more Article IV/V inspector days and 14 percent more Article VI inspections with no/no budget increase. Japan reacted positively to this evidence of productivity gains.)

122. Reeps is continuing bilateral consultations on Sampling and Analysis. Germany, Switzerland, the UK and the United States are to be followed by the PRC, India, France, and Japan. He plans to issue a paper by the end of the year summarizing the results and making a recommendation. Lots of resources are devoted to Sampling and Analysis (S&A) on an annual basis so the question of the potential for using these resources is an important one (when, if ever are we going to do S&A, Reeps asked). Reeps pointed to para. 3.17, which says that if/if there is to be sampling and analysis during

inspections in 2004, it could cost 60,000 euros.

Timetable for Article VII

123. (U) On two occasions, the Canadian delegation has asked what, if anything, the U.S. intends to do as a follow-up to our call during the RevCon for setting up a timetable for compliance with Art VII. The U.S. has indicated that something should be ready to adopt at the next CSP in October. Delegation would be interested in Washington's views/intentions on this issue.

Khartoum Regional Seminar

124. DG's Charge de Cabinet, Raphael Grossi informed the delegation that Lisa Tabassi in the TS legal office, invited (or granted a request from) the ICRC to be present during the upcoming regional group conference in Khartoum. Grossi asked if we had any problem with this invitation. Delegation informed him we had no problem with the ICRC generally, and were certainly not trying to thwart their effort to be involved in CW issues. Our concern at the RevCon was over ICRCs effort to spark a public debate on an issue we do not believe is ready for discussion. Thus we would not object to their being in Khartoum, as long as they aren't looking to talk about RCAs and related issues. He said they were not and, based on this, it is delegation's understanding that ICRC will in fact be present in Khartoum.

"On Call" Inspectors

125. The Director General held a meeting including relevant members of his staff and all possessor states (except Albania) at which he circulated a paper containing some of the details of the proposal to employ "on call" inspectors. The TS Director of Administration has stated that not having to pay inspectors' medical insurance, Provident Fund contributions, etc., as envisioned under this program, would reduce costs by approximately 40% per inspector. The DG highlighted the utility of such a program in light of anticipated increases in verification costs as more demilitarization become operational.

126. Delegates present were generally noncommittal, but Russia asked whether the cost reduction envisaged was absolute or merely represented a shift from reimbursable Article IV/V costs to assessed contributions. The DG said that it was an absolute reduction and no increase in assessed contributions should result. The Indian Ambassador did not express disagreement with the proposal, but expressed concern over possible confidentiality issues. The DG explained that under the TS proposal all confidentiality provisions under the convention would apply to on call inspectors, and emphasized that such inspectors would only be used for demilitarization inspections. The TS was anticipating phasing in the program, with perhaps ten inspectors being retained under contract in the first year. The DG also emphasized that, initially at least, on call inspectors would be drawn from inspectors who were leaving the TS.

127. The DG asked states parties, particularly the possessors, to consider the document and provide a response as soon as possible, preferably the following week (delegation informed him that this was not feasible). Delegation was also noncommittal in the meeting, but made it clear that even if our eventual response was positive, there could be many questions that would need to be asked and answered before the system was implemented.

Newport Step III Combined Plan

128. The Newport Step III (Production Facility) Combined Plan was circulated by the TS, dated 26 May 2003, thus meeting the 30-day requirement for other delegations to review and adopt the document before the end of EC-33.

VIR Consultations

129. VIR consultations were held on 28 May. US written comments, along with those of Spain, Iran, Mexico, and Switzerland, were circulated by the TS. On 29 May, the TS circulated an extensive corrigendum, highly protected, which primarily incorporates US changes that could be considered clearly factual in nature. The more interpretative/analytical or editorial comments were not included in the corrigendum, but Del called the attention of delegates to the parts of the U.S. written comments that had not been incorporated in the corrigendum as we went over the

report paragraph by paragraph. There was general agreement that this was a valuable, and efficient, way to proceed. A number of other States Parties intend to offer comments in writing. The TS will put all SP written comments together in a single document and issue it, along with an updated version of the corrigendum.

¶30. Per Runn did most of the talking for the TS. He agreed that our additional point on paragraph 9.4, about the TS consulting SP's individually on potentially declarable facilities prior to issuing any lists, was consistent with Review Conference that the TS would in fact treat as an instruction from SP's. He agreed on the need to provide more details on cost-efficient practices in CWPF destruction (para 10.7). Audit non-conformities on OPCW lab (11.6) were purely administrative, nothing regarding technical capability of the lab. Details of audits will be provided in the future. Runn agreed to look for better wording in Annexes 10 and 21. On the whole, it was a quite cooperative and collegial performance.

¶31. Swannanoa remains a sticking point as does disagreement over the number of U.S Category 3 items (Annex 3, footnote 3). Perhaps worth going back in for a bilateral chat with TS.

¶32. The new Czech EC Chairman, Ambassador Petr Kubernat, ran an efficient meeting though he is clearly depending on the TS for the substance of issues.

Article IV/V Consultations

¶33. Art. IV/V consultations on 27 May went well. The Chairman intends to hold another round of consultations before the EC in June. The Germans are thinking of trying to establish some sort of contingency fund, to be realized from savings as some personnel depart due to tenure policy. They will try to put something on paper.

15th Data Validation

¶34. Lawrence Livermore National Lab (LLNL) reps Hugh Gregg and Armando Alcaraz, and National Institute of Science and Technology (NIST) reps Gary Mallard and Ed White attended the 15th OPCW Validation meeting 20-21 May. 246 mass spectra and 306 retention indices were approved.

¶35. The Data Validation group (led by Eric Wils) had received a request from the Secretariat to include degradation products of scheduled chemicals, primarily Schedule 1, and riot control agents in the database.

¶36. LLNL reps met with Nyakoe of the OPCW Office of Internal Oversight (OIO) and Stefan Mogl, Head of the OPCW Lab. The OIO is interested in discussing and assessing overall sample and handling procedures with LLNL and the UK. These discussions had been previously conducted in 2001 with the Swiss and Finnish labs. Nyakoe will officially request LLNL's assistance through the Del. He tentatively plans to visit LLNL in October 2003.

¶37. Mogl indicated that OPCW may go to one proficiency test per year, and more accurately align proficiency tests with what designated labs might expect in an actual inspection. In addition, he wants to perform more "off-site sample handling exercises".

Ambassador Javits Upcoming Travel

¶38. Ambassador Javits will travel to Mexico for two days starting on 11 June to attend the OPCW First Regional Seminar on the Role of the Chemical and Other Relevant Industries in the Implementation of the Chemical Weapons Convention in Latin America and the Caribbean. He is accompanying Director-General Pfirter and the Mexican Ambassador to The Hague, Ambassador Onate.

¶39. Delegation has begun preliminary planning for Ambassador Javits to participate in site visits at Tooele, Utah, and Pine Bluff, Arkansas, the week of 14 July.

¶40. Javits sends.
RUSSEL